

NOVEMBER 30, 2000

IN RE: Application of ezTel Network Services, LLC) ORDER *1/20*
For Authority to Operate As A Reseller of) GRANTING
Interexchange Telecommunications Services) CERTIFICATE FOR
Within the State of South Carolina) LONG DISTANCE
) AUTHORITY

This matter comes before the Public Service Commission of South Carolina (the “Commission”) by way of the Application of ezTel Network Services, LLC (“ezTel Network Services” or the “Company”) requesting a Certificate of Public Convenience and Necessity authorizing it to provide intrastate resold interexchange telecommunications services between and among locations within the State of South Carolina as a non facilities-based interexchange telecommunications service provider. The Company’s Application was filed pursuant to S.C. Code Ann. § 58-9-280 (Supp. 1999) and the Regulations of the Public Service Commission of South Carolina.

The Commission's Executive Director instructed ezTel Network Services to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the affected areas. The purpose of the Notice of Filing was to inform interested parties of ezTel Network Service's Application and of the manner and time in which to file the appropriate pleadings for participation in the proceeding. The Company complied with

this instruction and provided the Commission with proof of publication of the Notice of Filing.

On October 26, 2000, E-Z Tel, Inc. filed a Petition to Intervene Out of Time with the Commission. E-Z Tel, Inc. filed the Petition to Intervene to object to ezTel Network Services' use of the "ezTel" name in marketing and providing telecommunication services. Additionally, E-Z Tel, Inc. also stated in its Petition to Intervene that a real potential for confusion exists among consumers as to which company is providing them with services and which company should be contacted in the event of problems with such services. E-Z Tel, Inc. was authorized to transact business in South Carolina on August 7, 1997 and was certified by the Commission to provide prepaid local service on October 8, 1997, in Docket No. 97-274-C. According to E-Z Tel, Inc.'s Petition to Intervene Out of Time, E-Z Tel, Inc. has been providing local telecommunications services to South Carolina customers since receiving certification and has invested substantial resources in advertising its products and in gaining name recognition among such customers. E-Z Tel, Inc. asked the Commission to grant its Petition to Intervene Out of Time and require ezTel Network Services to market and provide services in South Carolina under a d/b/a name other than "ezTel" or at the very least, that ezTel Network Services be required to use its full and complete name, "ezTel Network Services, LLC" in all marketing and other materials.

On October 31, 2000, ezTel Network Services, LLC and E-Z Tel, Inc. filed a Stipulation with the Commission whereby E-Z Tel, Inc. withdrew its Petition to Intervene and its opposition to the Application of ezTel Network Services. According to the

Stipulation, ezTel Network Services agrees to use its full and complete name in all marketing, promotional, and contractual materials utilized in South Carolina, including television and radio advertisements. The Stipulation between ezTel Network Services, LLC and E-Z Tel, Inc. is approved and attached as Order Exhibit 1.

A hearing was convened on August 2, 2000, at 10:30 a.m. in the Commission's Hearing Room at 101 Executive Center Drive, Columbia, South Carolina. The Honorable William Saunders, Chairman, presided. ezTel Network Services was not represented by counsel. Jocelyn D. Green, Staff Counsel, represented the Commission Staff.

Mr. Allen Hill, Vice President of Finance, appeared and offered testimony in support of the Company's Application. As Vice President of Finance, Mr. Hill is responsible for accounting issues including payroll, accounts payable and receivable. He is the financial contact person for the Company. ezTel Network Services wants to provide long distance telecommunications services to consumers in South Carolina. The Company also intends to offer prepaid calling cards. The Company will operate strictly as a reseller in South Carolina.

ezTel is currently certified to provide its services in numerous states including Florida, Georgia, and North Carolina. The Company is operating in good standing in all the states where it is providing its services; ezTel Network has never had authority denied in any state where it has applied for authority nor has the Company had authority revoked in any state where it has been granted authority. Additionally, Mr. Hill testified ezTel

Network Services has never been fined, sanctioned or the subject of an investigation by a state or federal regulatory body.

Qwest, MCI WorldCom, and Frontier/Global Crossing will be utilized as ezTel Network Services' underlying carriers. ezTel Network Services' name and customer service telephone number appear on customers' bills. The Company operates a customer care center in Virginia that handles customer complaints. The customer care center currently operates twenty-four hours a day, six days a week, excluding Sundays. An answering service records calls that are received by the customer care center on Sundays. Mr. Hill is also the regulatory contact person for the Company. ezTel Network Services uses third party verification and letters of authorization. After the Company receives a letter of authorization, ezTel Network Services verifies that a customer wants to switch to its services by using third party verification.

Hill also addressed the Company's managerial ability to provide telecommunications services in South Carolina. James B. Palmer is the Company's Chairman of the Board. Mr. Palmer has numerous years of experience in the telecommunications industry. He, along with his family, founded, developed, nurtured and recently sold SkyTel to MCI/WorldCom. Danny M. Dunnaway is the Vice-Chairman of the Board. Mr. Dunnaway was previously an entrepreneur in the telecommunications industry and was one of the original investors in LDDS, a company that eventually became WorldCom. T. Patric Boggs is the President and Chief Executive Officer of ezTel Network Services. Mr. Boggs has over twenty-four years of investment banking and telecommunications experience. Lamar Adams is the Company's Executive

Vice President, Sales & Marketing. Adams has twenty years of sales and entrepreneurial experience. Additionally, Adams' primary responsibility is the recruitment and training of ezTel Network Services' national sales agent force.

Regarding the Company's financial ability to provide telecommunications services in South Carolina, ezTel Network Services, as of June 30, 2000, had a sufficient amount of current assets to pay its current liabilities. As of June 30, 2000, the Company's total current assets were \$1,136,202.03 and its total current liabilities were \$769,170.58. The Company had a negative net income as of June 2000. Hill attributed this negative figure to the Company's recent formation at the end of November 1999 and the Company's attempt to build a customer base since the end of 1999. The Company is also operating a customer care center and a billing center in California and the Company has incurred attorney's fees due to the certification process in numerous states.

ezTel Network Services will market its services in South Carolina through direct sales by the Company's employees and independent sales agents. According to Mr. Hill, ezTel Network Services has not provided local or long distance services or marketed its services in South Carolina prior to receiving certification. Additionally, Hill testified ezTel Network Services has not received any revenues from the completion of intrastate calls in South Carolina prior to being certified to provide telecommunications services.

After full consideration of the applicable law, the Company's application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. ezTel Network Services is organized as a corporation under the laws of the State of Mississippi and is authorized to do business as a foreign corporation in the State of South Carolina by the Secretary of State.

2. ezTel Network Services operates as a non facilities-based reseller of interexchange services and wishes to provide its services in South Carolina.

3. ezTel Network Services has the experience, capability, and financial resources to provide the services as described in its Application.

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to ezTel Network Services to provide intrastate interLATA service and to originate and terminate toll traffic within the same LATA, as set forth herein, through the resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), Foreign Exchange Service, Private Line Service, or any other services authorized for resale by tariffs of carriers approved by the Commission.

2. The Commission adopts a rate design for ezTel Network Services for its resale of interexchange services which includes only maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

3. ezTel Network Services shall not adjust its interexchange rates below the approved maximum level without notice to the Commission and to the public. ezTel Network Services shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level for interexchange services reflected in the tariff which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provision of S.C. Code Ann. §58-9-540 (Supp. 1999).

4. If it has not already done so by the date of issuance of this Order, ezTel Network Services shall file its revised tariff and an accompanying price list within thirty (30) days of receipt of this Order. The revised tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations.

5. ezTel Network Services is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers and facilities-based interexchange carriers should be treated similarly.

6. With regard to the Company's resale of service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

7. ezTel Network Services shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If ezTel Network Services changes underlying carriers, it shall notify the Commission in writing.

8. ezTel Network Services shall file surveillance reports on a calendar or fiscal year basis with the Commission as required by Order No. 88-178 in Docket No. 87-483-C. The proper form for these reports can be found at the Commission's web site at www.psc.state.sc.us/forms. The title of this form is "Annual Information on South Carolina Operations For Interexchange Companies and AOS". Be advised that the Commission's annual report for telecommunication companies requires the filing of intrastate revenues and intrastate expenses.

9. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours. ezTel Network Services shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The

“Authorized Utility Representative Information” form can be found at the Commission’s web site at www.psc.state.sc.us/forms; this Form shall be utilized for the provision of this information to the Commission. Further, the Company shall promptly notify the Commission in writing if the representatives are replaced.

10. With regard to the origination and termination of toll calls within the same LATA, ezTel Network Services shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993), with the exception of the 10-XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dial parity rules established by the Federal Communications Commission, pursuant to the Telecommunications Act of 1996 (See, 47 CFR 51.209).

11. The terms of the Stipulation between ezTel Network Services, LLC and E-Z Tel, Inc. (attached hereto as Order Exhibit 1) are approved and adopted as a portion of this Order. In accordance with the Stipulation, ezTel Network Services, LLC shall use its full and complete name, “ezTel Network Services”, in all marketing, promotional, and contractual materials utilized in South Carolina, including television and radio advertisements.

12. As a condition of offering debit card services, the Commission requires the Company to post with the Commission a bond in the form of a Certificate of Deposit worth \$5,000 drawn in the name of the Public Service Commission of South Carolina or a surety bond in the amount of \$5,000 which is payable to the Commission. The Certificate of Deposit shall be drawn on federal or state chartered banks or savings and

loan associations which maintain an office in this state and whose accounts are insured by either the FDIC or the Federal Savings and Loan Insurance Corporation. A surety bond shall be issued by a duly licensed bonding or insurance company authorized to do business in South Carolina. This condition may be reviewed in one year.

13. If the Company sells its debit cards to retail establishments for resale of the debit cards, and the retailer of the debit cards deviates from the suggested retail price as filed in the tariff, or as approved by the Commission in a special promotion, then the Company will withdraw its cards from that retail outlet. This Commission strongly suggests that the Company enter into written agreements with its South Carolina retail outlets regarding this policy of abiding by suggested retail pricing prior to the outlet marketing the card.

14. The Company is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

BEFORE THE
SOUTH CAROLINA PUBLIC SERVICE COMMISSION
Docket No. 2000-0015-C

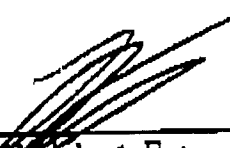
In re: Application of ezTel NETWORK SERVICES, LLC)
for a Certificate of Convenience and Necessity)
to Operate as a Reseller of Interexchange)
Telecommunications Services Within the State of)
South Carolina)

STIPULATION

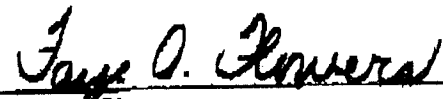
The Applicant ezTel Network Services, LLC, and Petitioner E-Z Tel, Inc., hereby enter into the following Stipulation. As a consequence of this Stipulation, Petitioner E-Z Tel, Inc., does not oppose the granting of Applicant ezTel Network Services, LLC's application in the above docket. Applicant ezTel Network Services, LLC, and Petitioner E-Z Tel, Inc., agree as follows:

1. Applicant ezTel Network Services, LLC, agrees to use its full and complete name, "ezTel Network Services" in all marketing, promotional, and contractual materials utilized in South Carolina, including television and radio advertisements.
2. In exchange, Petitioner E-Z Tel, Inc., withdraws its Petition to Intervene and offers no opposition to the application of ezTel Network Services, LLC, in the above docket.

AGREED TO AND STIPULATED this 30th day of October, 2000.


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